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Quiz Reveals CIA Spending Through Fund

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WASHINGTON — The cloak of the government's cloak-and-dagger agency got snagged Monday in the machinery of a congressional investigation.

And Lt. Gen. Marshall S. Carter, deputy director of the Central Intelligence Agency, had to spend an hour conferring with Rep. Wright Patman (D-Tex.) to get it extricated.

Before the damage was repaired, the public got a brief but fascinating peek at one of the techniques used by the CIA to mask its role in financing activities it deems to be in the interest of the U.S. government.

The congressional inquiry disclosed that during the last four years, the CIA has channeled the spending of some of its money through the J. M. Kaplan Fund, Inc., of New York City, a tax exempt foundation.

Amount Not Told

There was no hint of how much money was so channeled, where it was spent, or for what purpose.

The testimony was given by Internal Revenue Service officials before Patman's small business subcommittee after Patman himself let the cat out of the bag.

Patman disclosed his secret information about CIA's past connection with the Kaplan Fund because, he said, the CIA just wasn't cooperating in his investigation of the fund. The Kaplan Fund is one of

many tax-exempt foundations which Patman is investigating. He contends the tax exemption of many of them, including the Kaplan Fund, should be revoked because they are being used by their founders for personal gain rather than as charitable institutions.

Revocation Urged

Internal Revenue Service officials in New York twice have recommended that the tax-exempt status of the Kaplan Fund be revoked. But these decisions were subsequently over-ruled.

After Patman demonstrated that he is, to use his own word, not a man to be "trifled" with, the CIA appeared to take him very seriously.

Carter, CIA deputy director, accompanied by two unidentified aides, went to Patman's office for a conference. So did Bertrand M. Harding, acting commissioner of the Internal Revenue Service.

Seventy minutes later Patman emerged to announce that Harding had promised that the Internal Revenue Service's current investigation to determine whether the Kaplan Fund's tax exemption is justified "is being vigorously pursued" and a full report will be made to the committee within a reasonable time.

CIA Not Implicated

He said the CIA officials, in the closed-door meeting, had been co-operative in supplying the information he wanted and that, therefore, the subcommittee's public inquiry would henceforth shy away from any matters related to the CIA. He said he is persuaded that "no matter of interest to the subcommittee relating to the CIA existed."

The J. M. Kaplan Fund, Inc., set up in 1944, reported assets of \$1.6 million in 1945 and \$14.7 million at the end of last year.

It was founded by Jacob M. Kaplan, a New Yorker, at

won control of Welch Grape Juice Co. after a proxy fight. Kaplan no longer is an officer of the Welch Co. but is president of a number of other firms.

The stated purpose of the fund is "to strengthen democracy at home and abroad" by aiding "benevolent, charitable, educational, scientific and literary activities."

Patman contends that a major unstated purpose has been to enable Kaplan and his associates to use the foundation's tax-exempt earnings to gain control of various companies.

During Monday's congressional hearing, Mitchell Rogovin, an Internal Revenue official, implied that the CIA is using a number of other tax-exempt foundations as "conduits" for spending of cloak-and-dagger funds. No names were mentioned.

Rogovin testified that the revenue service first became aware of CIA's connection with the Kaplan fund late in 1961 during an audit of the fund by the agency.

"They (CIA officials) had learned that an audit of the fund was being conducted, and they were concerned whether their interest would be made public and whether the fund would be jeopardized by the audit," he said.

Rogovin said that not even the New York office which was conducting the audit was told of the CIA's connection.

Patman found out about it on Aug. 10 when Internal Revenue Service officials, testifying at a public hearing, announced that they had some information they wanted to give "off the record."

Rep. James Roosevelt (D-Cal.) stopped them short by observing that there were newsmen present and

therefore any testimony at the public hearing would be public information. The witnesses responded to this warning by whispering the information to Patman.

Thus, if Roosevelt had not intervened, the secret connection between the CIA and the Kaplan Fund would have been disclosed three weeks ago.

Under tax rules the source of a tax-exempt foundation's contributions must be reported annually. The CIA apparently got around this by channeling funds to the Kaplan Fund through other corporations whose records were not subject to public scrutiny.

Patman disclosed in the hearing that during the first two years of the CIA's connection with the Kaplan Fund, the latter received

contributions totaling \$923,950 from eight donors who did not even list their addresses.

He identified them as the Gotham Foundation, the Michigan Fund, the Andrew Hamilton Fund, the Bordon Trust, the Price Fund, the Edsel Fund, the Beacon Fund and the Kentfield Fund.

Harding, who was in the witness chair, responded to Patman's demand for the addresses by saying that the revenue service might not have the information in its files, if these eight foundations did not themselves enjoy tax-exempt status.

Roosevelt scoffed at this noting that the revenue service had conducted an

intensive audit of the Kaplan Fund.

"If these are dummy corporations or corporations we don't want to talk about, come in and say so—but don't say you don't know anything about it," Roosevelt said.